

# Individual State Agency Fiscal Note

<b>Bill Number:</b> 2308 S HB	<b>Title:</b> Job title reporting	<b>Agency:</b> 540-Employment Security Department
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## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

Non-zero but indeterminate cost and/or savings. Please see discussion.

### Estimated Operating Expenditures from:

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years	0.0	3.0	1.5	5.6	4.9
<b>Account</b>					
Employment Service Administrative Account-State 134-1	0	491,006	491,006	1,287,653	1,077,320
<b>Total \$</b>	0	491,006	491,006	1,287,653	1,077,320

### Estimated Capital Budget Impact:

NONE

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☒ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☐ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

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## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

This substitute bill includes the following changes from the original bill:

#### Section 2:

- Makes it optional for employers to report standard occupational classifications or job titles of its employees until October 1, 2022.

#### Section 3:

- Provides that an employer whose filing is incomplete due to failure to include the standard occupational classification or job title of its employees must pay the incomplete report penalty only if the employer knowingly failed to report the standard occupational classification or job title of each employee.

#### Section 4:

- Requires the Employment Security Department, in coordination with the Workforce Training and Education Coordinating Board, to report to the Legislature by November 1, 2026, on how the collection of occupational data was used to evaluate educational investments, add new or modify existing training programs, or improve WorkSource job placement results.

These changes create no additional fiscal impact.

The original bill requires employers to report the standard occupational classification or job title for their employees on their quarterly unemployment insurance report. Currently, employers are not required to identify the occupation of their employees. The Washington Future of Work Task Force has recommended this change in employer reporting requirements as the information gathered will be helpful in evaluating the effectiveness of job training programs. This bill amends RCW 50.12.070(2)(a) by adding a requirement that employers include standard occupational classifications or job titles for all employees on their quarterly unemployment insurance reports. The effective date of this bill is October 1, 2021.

The original bill's Section 2 requires the following modifications:

- Updating IT systems to allow the necessary amendments to the data, along with collecting and storing the data in an accessible, searchable and usable way and have the ability to charge, waive and refund penalties. The following IT systems will be impacted: The Next Generation Tax System, (NGTS), Employer Account Management Services (EAMS), the agency imaging system (ILINX) and the Central Audit Management System (CAMS) audit program.

- The Tax Accounting and Audit Units within Unemployment Insurance Customer Support (UICS) will have several operational and staffing impacts. The bill will increase the volume of work for waivers of penalties for employer filing of incomplete wage reports and for the processing of Quarterly Wage Detailed Amendments (Form 5208D). The workload will also be impacted by participation in work groups modifying five tax reports and correspondence items, by increased time to respond to questions from employers, to process benefit disputes and to input audit data into the CAMS system.

- Both online and hardcopy materials including agency rules, manuals and desk aids related to reporting requirements will need to be updated and training for policy, operational and data collection units will need to take place.
- Imaging Unit would participate in the workgroup to modify forms and key the new information into the ILINX system.
- The Communications Unit will participate in extensive employer outreach to educate them on the new requirements.
- The Labor Market and Economic Analysis (LMEA) unit will review, code and process the data that is received from the employers.

## **II. B - Cash receipts Impact**

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

Section 2 of this bill would require the Employment Security Department to delay assessing incomplete report penalty fees until April 2023 when the first employer reports requiring occupational data are due.

The anticipated cash receipts would be a minimal amount of money received from penalties related to employers submitting incomplete forms if they do not include job titles for their employees. ESD currently assesses approximately \$57,300.00 in incomplete report penalties annually. Not all the penalties are collected as almost 40% of penalized employers request waivers. ESD estimates approximately 50% of waiver requests are approved, which works out to approximately 20% of total cash receipts collected or \$11,460 (Penalties and Interest - Account 120)

## **II. C - Expenditures**

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

This bill creates no additional fiscal impact.

In Section 1 of this bill would require employers to include the standard occupation classifications or job titles of their workers in their quarterly unemployment insurance reports.

Section 2 To implement this bill, the Employment Security Department (ESD) will need to modify four of its IT systems: The Next Generation Tax System (NGTS), Employer Account Management System (EAMS), the agency imaging system (ILINX), and the Central Audit Management System (CAMS). These modifications are required to:

- Allow ESD to collect and store worker occupation classification/job titles data reported by employers.
- Amend worker occupational classification/job title data in the systems.
- Develop new business rules for incomplete report penalty requirements, amended occupational data and penalty correspondence.
- Allow ESD to charge, waive and refund penalties for incomplete reports submitted by employers.

In addition to the system changes outlined above:

- A rulemaking will be required to amend employer reporting requirements.
- Revise affected online and manual forms, letters and reports.
- Conduct communication and outreach to employers to inform and educate them on the new requirements.
- The Labor Market and Economic Analysis (LMEA) unit will need to update its system coding to allow review and processing of employer occupational data.
- Update business processes will need to be updated and conduct staff training.

1) Information Technology (IT)

Total IT system change costs: one-time cost of \$207,913 in FY21 (1/21- 6/21) and one-time cost of \$100,735 in FY22 (7/21-9/21) as follows:

-IT Project Management Senior Specialist to provide IT project management for the system changes needed for bill implementation. (0.04 FTE FY21; .02 FTE FY22) (FY21: \$8,842; FY22: \$4,422)

-IT Business Analyst Senior Specialist to analyze business needs and requirements for the system updates. (0.15 FTE FY21; .07 FTE FY22) (FY21: \$31,738; FY22: \$14,811)

-IT Application Development – Senior Specialist design and develop new data base fields to capture and store data, new business rules for incomplete penalty requirements, amend occupational data and penalty correspondence and new reporting requirements. (0.41 FTE FY21; .20 FTE FY22) (FY21 \$90,635; FY22: \$44,211)

-IT Quality Assurance and System Testing– Senior/Specialist to test systems changes. (0.33 FTE FY21; .16 FTE FY22) (FY21: \$69,823; FY22: \$33,853)

-Communications Consultant 5 to provide IT project facilitation and communications for this work. (0.04 FTE FY21; .02 FTE FY22) (FY21: \$6,875; FY22: \$3,438)

2) Modify quarterly forms, reports, and letters to include new reporting requirement (employee occupational/job title).

Total costs: One-time cost of \$41,823 in FY21 (1/21-6/21)) and one-time cost of \$18,925 in FY22 (7/21-9/21) as follows:

-Tax Specialist 3 to assist IT to update forms, letters and reports and modify manual forms, letters and report documents to permit employers to report new data. (0.27 FTE FY21; .13 FTE FY22) (FY21: \$34,597; FY22: \$16,659)

-Tax Specialist 4 to review and support form, letter and report modifications. (0.01 FTE FY21; .01 FTE FY22) (FY21: \$1,737; FY22: \$894)

-Unemployment Insurance Customer Service Project Manager (WMS3) to provide project management for business changes necessary to support bill implementation. (FY21: 0.02 FTE; FY22: .01FTE ) (FY21: \$5,489; FY22: \$1,372)

3) Conduct Rulemaking:

Total Cost: FY21 One-time \$90,000

While the term “standard occupational classification” most likely refers to Standard Occupational Classification(SOC) codes, the term “job title” is a rather ambiguous term that needs to be defined in rule. The rulemaking is going to require extensive stakeholder involvement as the Department will need to balance the interests of groups, such as the Future of Work Task Force, who are going to be interested in having accurate and consistent data by which to measure occupational trend analyses, and the interests of employers, who will want

as little of a burden on their business as practicable. The predicted level of stakeholder interest and involvement will necessitate a rulemaking effort more consistent with major rulemaking.

#### 4) Employer Outreach and Education/Communications

Total Cost Ongoing beginning 7/2020:

FY21: \$151,270 (1 FTE Comm. Consultant 4)

FY22/23: \$75,634 (.5 FTE Comm. Consultant 4)

FY24 and beyond: \$37,819 (.25 FTE Comm. Consultant 4)

Communications Consultant 4 to communicate reporting changes, conduct outreach and provide education on new reporting requirements to employers.

#### 5) UICS Staff Training –

Total one-time cost of \$36,273 in FY22 (7/21-9/21)

Develop materials and train staff: training will be required to ensure staff are aware of the new reporting requirements and know how to process the work and exceptions that may occur if employers submit incomplete reports without occupational/job title data.

-Program Coordinator 3 to develop and deliver training to business teams whose work will be impacted by the new reporting requirement. (0.25 FTE FY22) (FY22: \$36,273)

#### 6) Labor Market and Economic Analysis (LMEA)

Total ongoing cost of \$436,152 FY22 and beyond

-Data Consultant 3 to code and process occupational/job title data. (2.0 FTE FY22+) (FY22+ \$278,385)

-Data Consultant 4 to review, analyze and report worker occupation/job title data. (1.0 FTE FY22+) (FY22+: \$157,767)

#### 7) Tax and Wage Operations

Total ongoing cost: FY22: \$43,459; FY23 and beyond: \$64,689

-Tax Specialist 4 to input missing worker occupation/job title data into CAMS. (0.04 FTE FY22; .06 FTE FY23+) (FY22: \$5,343; FY23+: \$8,014)

-Tax Specialist 4 to process quarterly unemployment insurance report amendments. (0.04 FTE FY22; 06 FTE FY23+) (FY22: \$5,343; FY23+: \$8,014)

-Tax Service Representative 1 to respond to and handle employer calls and inquiries regarding new reporting requirements. (0.33 FTE FY22; .49 FTE FY23+) (FY22: \$32,773; FY23+: \$48,661)

### Part III: Expenditure Detail

#### III. A - Operating Budget Expenditures

Account	Account Title	Type	FY 2020	FY 2021	2019-21	2021-23	2023-25
134-1	Employment Service Administrative Account	State	0	491,006	491,006	1,287,653	1,077,320
Total \$			0	491,006	491,006	1,287,653	1,077,320

**III. B - Expenditures by Object Or Purpose**

	FY 2020	FY 2021	2019-21	2021-23	2023-25
FTE Staff Years		3.0	1.5	5.6	4.9
A-Salaries and Wages		197,612	197,612	614,573	510,520
B-Employee Benefits		79,045	79,045	245,828	204,208
C-Professional Service Contracts					
E-Goods and Other Services		141,233	141,233	199,861	173,700
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements		73,116	73,116	227,391	188,892
9-					
<b>Total \$</b>	0	491,006	491,006	1,287,653	1,077,320

**III. C - Operating FTE Detail:** *List FTEs by classification and corresponding annual compensation. Totals need to agree with total FTEs in Part I and Part IIIA*

Job Classification	Salary	FY 2020	FY 2021	2019-21	2021-23	2023-25
Communications Consultant 4	70,632		1.0	0.5	0.5	0.3
Communications Consultant 5	81,936		0.0	0.0	0.0	
Data Consultant 3	64,008				2.0	2.0
Data Consultant 4	74,196				1.0	1.0
Employment Security Program Coordinator 3	67,248				0.1	
Fiscal Analyst 5 (Administrative Services Indirect)	76,128		0.8	0.4	1.2	1.0
IT App Developer - Senior/Specialist	108,912		0.4	0.2	0.1	
IT Business Analyst - Senior/Specialist	103,716		0.2	0.1	0.0	
IT Project Management - Senior/Specialist	108,912		0.0	0.0	0.0	
IT Quality Assurance - Senior/Specialist	103,716		0.3	0.2	0.1	
Tax Service Representative 1	42,132				0.4	0.5
Tax Specialist 3 - ES	57,948		0.3	0.1	0.1	
Tax Specialist 4 - ES	60,924		0.0	0.0	0.1	0.1
WMS Band 3	113,119		0.0	0.0	0.0	
<b>Total FTEs</b>			3.0	1.5	5.6	4.9

**III. D - Expenditures By Program (optional)**

NONE

**Part IV: Capital Budget Impact****IV. A - Capital Budget Expenditures**

NONE

**IV. B - Expenditures by Object Or Purpose**

NONE

#### **IV. C - Capital Budget Breakout**

*Identify acquisition and construction costs not reflected elsewhere on the fiscal note and describe potential financing methods*

NONE

N/A

#### **Part V: New Rule Making Required**

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

The following sections of the Washington Administrative Code (WAC) dealing with reporting requirements for employers will need to be amended to implement this bill:

WAC 192-310-010(3) - Quarterly Tax and Wage Reports

WAC 192-310-030 - Report and Tax Payment Penalties and Charges

WAC 192-310-050 - Records Every Employer Must Keep

A new section of Chapter 192-310 WAC will also need to be created to define “Standard occupational classifications or job titles.” This will require major rulemaking. While the term “standard occupational classification” most likely refers to Standard Occupational Classification (SOC) codes, the term “job title” is a rather ambiguous term that needs to be defined in rule. The rulemaking is going to require extensive stakeholder involvement as the Department will need to balance the interests of groups, such as the Future of Work Task Force, who are going to be interested in having accurate and consistent data by which to measure occupational trend analyses, and the interests of employers, who will want as little of a burden on their business as practicable. The predicted level of stakeholder interest and involvement will necessitate a rulemaking effort more consistent with major rulemaking.